

MFOLOZI MUNICIPALITY 2012/2013 BUDGET

SUMMARY REPORT

1. The 2012/2013 Budget

1.1 Legislative framework

The 2012/2013 budget is prepared in accordance with the Local Government; Municipal Finance Management Act, 2003 and the Municipal Budget and reporting regulations issued by the Minister in terms of Section 168(1) of the Act. In terms of these regulations a multi-year budget spanning over three (3) years is prepared. It needs to be noted that the figures for 2013/2014 and 2014/2015 are indicative in terms of the medium term expenditure framework. In preparation of this budget, consideration has been given to MFMA Circular No. 51 which clearly provide further guidance to municipalities for the preparation of 2012/2013 Budget and Medium Term Revenue and Expenditure Framework (MTREF) as well as the Provincial Treasury Circular TC/RM3. This circular provides guidance and allocations to municipalities for the preparation and submission of their 2012/2013 budget. The functions have been ring-fenced in terms of the Council vote structure.

2. Medium term service delivery objectives as stated in the Integrated Development Plan (IDP):

- a. The medium term service delivery objectives of Mfolozi Municipality includes the following strategic focus areas and objectives:
 - i. **Service delivery-** Primarily focusing on the eradication of backlogs through the implementation of a good quality infrastructure to all potential consumers.
 - ii. **Economic development-** The objective is to improve the economy through the creation of job opportunities and additional economic activities.
 - iii. **Social development-** The objective is to reduce the occurrence and impact of HIV/Aids and to develop and empower youth, gender and communities
 - iv. **Institutional development-** The focus is on employment equity with the objective of transforming the municipality and capacity development for effective service delivery.
 - v. **Financial management-** our objective is to ensure sound financial management by promoting good financial practices with a view of ensuring a financially viable municipality.
 - vi. **Good governance and public participation-** The objectives are to promote good governance, accountability and transparency; to operate the municipality at a minimum risk level.
 - vii. **Other focus areas include:**
 1. Municipal roads
 2. Fire fighting
 3. Disaster management
 4. Solid waste
 5. Tourism

2.1. Linkages between the budget, the IDP and political priorities

Firstly, the budget timetable and the IDP process plan are aligned through an integrated time schedule.

Secondly, the IDP is prepared and the projects therefrom are included in the budget with each project properly reference per IDP description.

Moreover, the financial plan comprising the total budget, among other items, is included in the IDP.

2.2. The budget is summarized in more detail in the attached budget schedules. However, the comments on the budget are as follows:

MAIN BUDGET SUMMARY	2011/2012	2012/2013	CHANGE
Total operating budget	R43 876 000	R50 370 895	+14.80%
Capital budget	R17 624 000	R20 958 000	+18.92%
Total budget	R61 500 000	R73 328 895	+19.3%
The total budget increased by		R 9 828 548	

With the above background, it is important to highlight the major causes for such increases in both the operating and capital budgets. This will be done through the highlights section. Firstly, the operating budget will be reviewed. Thereafter, the Capital budget will be subjected to a review. The comments are as follows:

3. HIGHLIGHTS OF THE EXPENDITURE

3.1 OPERATING EXPENDITURE

Employee Related Costs

The employee related costs comprises 35% of the total operating budget. The primary reason for the increase is the annual across the board increment of 9%. The increment is based on the high inflation level and the indicative bargaining council figures. Secondly, vacant positions have had to be provided for as a result of the increased functions. The vacant positions included in the operating budget are as follows:

- Procurement Officer
- Payroll Officer
- Internal Audit Officer
- Financial Officer: Budget
- Financial Officer: Reporting
- Traffic Officer
- Sports and culture Officer
- Human Resources Officer
- Director: Community Services

Remuneration of Councilors

A 7% increment for Councilor's allowances is provided for.

Repairs and Maintenance

Vehicles

This is provided for due to the high expenditure on maintenance of the Grader & TLB and the poor conditions of vehicles. New vehicles were budgeted for to replace existing vehicles that should be replaced in terms of council policy.

General Expenses

The major items that have increased during the 2012/13 in this category include:

Fuel & Oil – The increase is based on actual petrol card consumption and provision for the new vehicles to be purchased.

Electricity & Water – The increase of 27.06% is based on electricity by Eskom and increase in the provision of Free Basic electricity to the community.

Professional fees – The increase is based on valuation roll for 2011-2015 (MPRA) and it is our final year for GRAP implementation.

Items with direct impact on communities include the following:

	Budget
Poverty alleviation	500 000
LED	250 000
Community Services	150 000
Community Bursaries	360 000
Youth Skills Development	400 000
Disaster Fund	425 000
IDP Operating Projects	200 000
HIV & awareness Campaign	200 000
Heritage Activities	100 000
SALGA Games	350 000
Street Lighting	300 000
Mayoral Projects	1 000 000
Mayoral Cup	150 000

Total Community and Social Expenditure

R 4 385 000

3.2 CAPITAL EXPENDITURE

The capital projects budgeted for are as follows:

Revenue - own funds

Computers	300 000
Computer Software	300 000
Cofounding – N2 Interchange	2 000 000
Furniture and Equipment	800 000
Plant and Equipment	1 000 000
Vehicles	1 000 000
Sub Total	5 400 000

MIG

17 558 000

TOTAL CAPITAL

22 958 000

4. HIGHLIGHTS OF INCOME

4.1 OPERATING INCOME

The sources of funding are important to ensure that the budget is actually funded and cash backed. The following items warrant specific mention:

❖ INTEREST INCOME

Interest Income is expected to increase as a result of higher interest rates, from R206, 446 to R225, 000

❖ EQUITABLE SHARE

Equitable share has been substantially increased from R 37 931 000 to R 43 392 300

❖ PROVINCIAL GRANTS.

Provincial grants are based on the provincial 2012/13 budget statements.

4.2 CAPITAL INCOME

The capital expenditure shall be funded as follows:

Own revenue	5 400 000
MIG	17 558 000
Total	22 958 000

5. FREE BASIC ELECTRICITY

Free Basic electricity per household per month is provided for. The present policy of providing free Basic electricity remains unchanged. Free Basic electricity is also provided in the rural schemes which are not breaking even or where the cost far exceeds the revenue.

Any other consumption is billed at applicable tariffs.

6. BUDGET RELATED RESOLUTIONS

The Executive Committee resolves to recommend that:

1. The budget of the municipal for the year 2012/13; and indicative figures for the two projected outer years 2013/14 and 2014/15 be approved as set-out in the following schedules:
 - Table A1 Budget Summary.
 - Table A2 Budgeted Financial Performance (revenue and expenditure by standard classification).
 - Table A3 Budgeted Financial Performance (revenue and expenditure by municipal vote).
 - Table A4 Budgeted Financial Performance (revenue and expenditure).
 - Table A5 Budgeted Capital expenditure by vote, standard classification and funding.
 - Table A6 Budgeted Financial Position.
 - Table A7 Budgeted Cash Flows
 - Table A8 Cash backed reserves/accumulated surplus reconciliation
 - Table A9 Asset Management
 - Table A10 Basic service delivery measurements
2. The Municipal Manager to be authorized to proceed with the procedure as stipulated in the MFMA and in terms of the guidelines stipulated by the Minister in terms of Section 168(1) of the Act.
3. The grants be accepted and approved with appreciation.
4. The staff structure be approved as budgeted for.
5. The Quality Certificate be approved.
6. That the tariff policy credit, control and debt collection policy, cash management and investment policy, supply chain management policy and financial plan have been reviewed.
7. That the funding and reserves policy be developed in compliance with Budget and Reporting Regulations.
8. That the tariffs be approved.